

MONTICELLO COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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Monticello Community School District

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2007 Election)		
Lee Hein	President	2009
John Cook	Vice President	2008
Jim Tjaden	Board Member	2009
Jeff Monck	Board Member	2008
Jeff Hinrichs	Board Member	2007

Board of Education (After September 2007 Election)		
Lee Hein	President	2009
John Cook	Vice President	2008
Jim Tjaden	Board Member	2009
Jeff Monck	Board Member	2008
Jeff Hinrichs	Board Member	2010

School Officials		
Chris Anderson	Superintendent	2008
Nancy Strang	District Secretary	2008
Connie Reyner	Comptroller	2008
Gruhn Law Firm	Attorney	2008
Ahlers & Cooney P.C.	Attorney	2008
Strittmatter Law Firm	Attorney	2008

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

INDEPENDENT AUDITOR'S REPORT

To the Board of Education of the
Monticello Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monticello Community School District, Monticello, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Monticello Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 30, 2009 on our consideration of Monticello Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 13 and 35 through 36 are not required parts of the basic financial statements, but are supplementary

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information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Monticello Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the four years ended June 30, 2007 (none of which are presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 7, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


NOLTE, CORNMAN & JOHNSON, P.C.

March 30, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Monticello Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$8,366,554 in fiscal year 2007 to \$8,693,314 in fiscal year 2008, while General Fund expenditures increased from \$7,971,644 in fiscal 2007 to \$8,620,047 in fiscal 2008. This resulted in an increase in the District's General Fund balance from \$2,043,374 in fiscal 2007 to \$2,116,641 in fiscal 2008, a 3.59% increase from prior year.
- The District's solvency ratio (unreserved-undesignated fund balance/general fund revenues) decreased from 24.18% for fiscal year 2007 to 23.76% for fiscal year 2008. Although the solvency ratio decreased slightly, it is still above what the State School Budget Review Committee recommends which is a solvency ratio of 5% - 10%.
- With the cost of gas and diesel reaching an all time high, the District experienced an increase in those costs to run their vehicles and for natural gas to heat the buildings.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Monticello Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Monticello Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Monticello Community School District acts solely as an agent or custodial for the benefit of those outside of the School District.

Notes to the financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

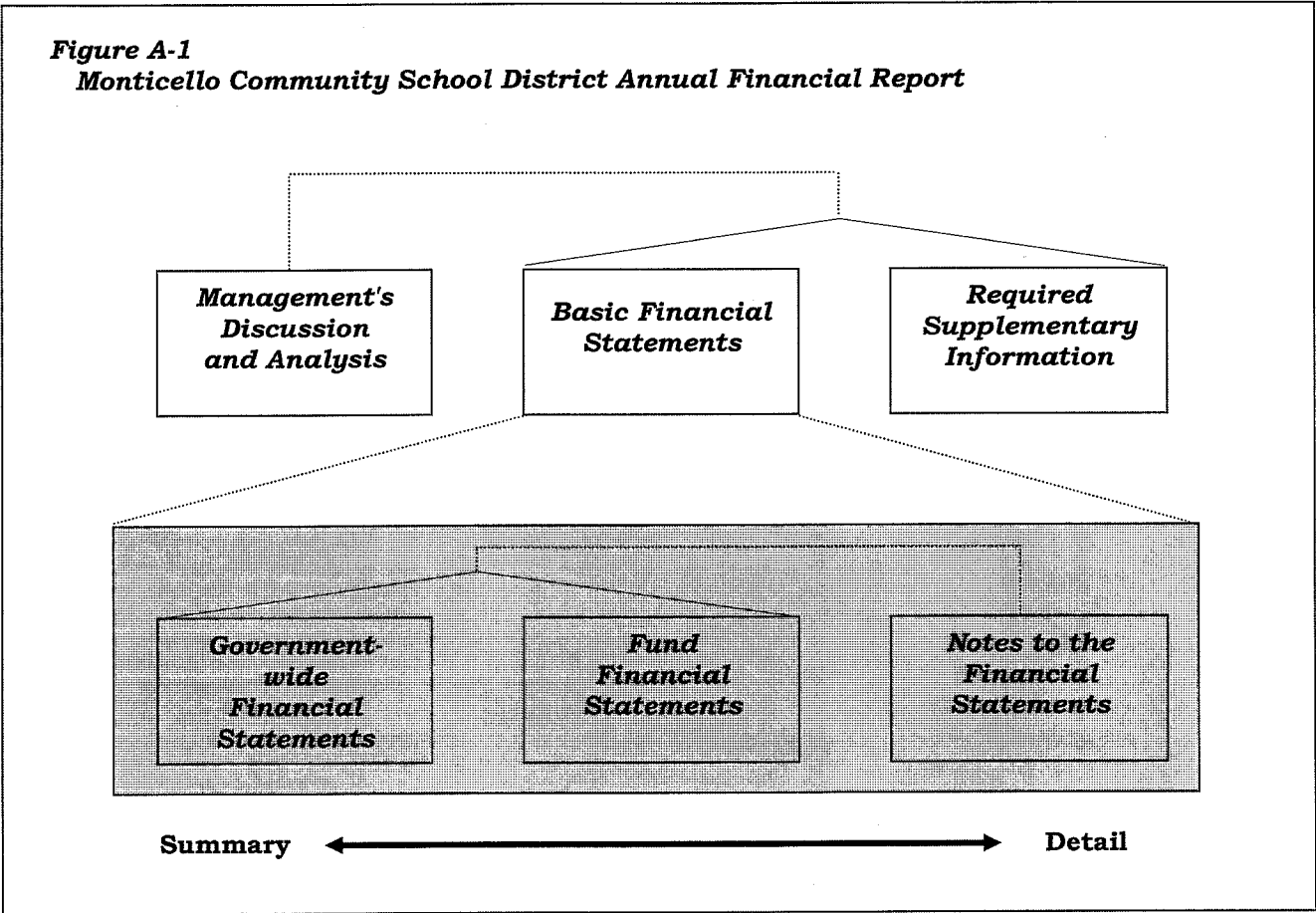


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2

Major Features of the Government-Wide and Fund Financial Statements

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activities of the district that are not proprietary or fiduciary, such as special education and building maintenance	Activities the district operates similar to private businesses, e.g., food service	Instances in which the district administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> • Statement of revenues, expenses and changes in net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business-type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for the governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's enterprise funds, one type of proprietary fund, are the same as its business-type activities, but provide more detail and additional information, such as cash flows. The District currently has three Enterprise Funds, the School Nutrition Fund, the School Accounts Fund and the Preschool Fund.

The required financial statements for the proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. This fund is the Agency fund.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Fund – These are funds through which the District administers and accounts for certain federal and/or state grants on behalf of other entities and the Empowerment Program, whereby the District acts as the fiscal agent.

The District is responsible for ensuring that the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure A-3
Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Current and other assets	\$ 7,878,207	7,580,362	72,356	92,721	7,950,563	7,673,083	3.62%
Capital assets	7,967,678	8,079,928	83,739	99,423	8,051,417	8,179,351	-1.56%
Total assets	15,845,885	15,660,290	156,095	192,144	16,001,980	15,852,434	0.94%
Long-term obligations	4,934,728	5,461,530	0	0	4,934,728	5,461,530	-9.65%
Other liabilities	3,929,497	3,841,956	12,305	18,646	3,941,802	3,860,602	2.10%
Total liabilities	8,864,225	9,303,486	12,305	18,646	8,876,530	9,322,132	-4.78%
Net assets:							
Invested in capital assets, net of related debt	3,057,678	2,639,928	83,739	99,423	3,141,417	2,739,351	14.68%
Restricted	1,717,798	1,582,614	0	0	1,717,798	1,582,614	8.54%
Unrestricted	2,206,184	2,134,262	60,051	74,075	2,266,235	2,208,337	2.62%
Total net assets	\$ 6,981,660	6,356,804	143,790	173,498	7,125,450	6,530,302	9.11%

The District's combined net assets increased by \$595,148, or 9.11%, over the prior year. The largest portion of the District's net assets is the invested in capital assets, less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased by \$135,184, or 8.54% over the prior year. The increase in fund balance of the Capital Projects fund is the main reason for the increase in restricted net assets.

Unrestricted net assets-the part of net assets that can be used to finance day-by-day operations without constraints established by debt covenants, enabling legislation or other legal requirements- increased by \$57,898, or 2.62%, over the prior year. The increase in General Fund balance is the main factor for the increase in unrestricted net assets.

Figure A-4 shows the changes in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-4
Changes of Net Assets

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Revenues & Transfers:							
Program revenues:							
Charges for services	\$ 871,055	847,728	306,464	312,254	1,177,519	1,159,982	1.51%
Operating grants and contributions and restricted interest	1,244,778	1,101,758	168,384	161,237	1,413,162	1,262,995	11.89%
General revenues:							
Property tax	3,064,331	3,435,810	0	0	3,064,331	3,435,810	-10.81%
Income surtax	224,269	156,309	0	0	224,269	156,309	43.48%
Local option sales and service tax	588,022	591,363	0	0	588,022	591,363	-0.56%
Unrestricted state grants	3,969,209	3,690,074	0	0	3,969,209	3,690,074	7.56%
Other	213,572	431,587	4,355	5,903	217,927	437,490	-50.19%
Transfers	0	(13,279)	0	0	0	(13,279)	100.00%
Total revenues & transfers	10,175,236	10,241,350	479,203	479,394	10,654,439	10,720,744	-0.62%
Program expenses:							
Governmental activities:							
Instructional	5,845,665	5,529,740	0	0	5,845,665	5,529,740	5.71%
Support services	2,813,292	2,673,689	0	9,618	2,813,292	2,683,307	4.84%
Non-instructional programs	648	0	499,590	460,017	500,238	460,017	8.74%
Other expenses	890,775	1,049,459	9,321	0	900,096	1,049,459	-14.23%
Total expenses	9,550,380	9,252,888	508,911	469,635	10,059,291	9,722,523	3.46%
Change in net assets	624,856	988,462	(29,708)	9,759	595,148	998,221	-40.38%
Net assets beginning of year	6,356,804	5,368,342	173,498	163,739	6,530,302	5,532,081	18.04%
Net assets end of year	\$ 6,981,660	6,356,804	143,790	173,498	7,125,450	6,530,302	9.11%

Local tax (Property tax, income surtax and local option sales and services tax) and unrestricted state grants account for 77.11% of the revenue from governmental activities while charges for service and sales and operating grants and contributions account for 99.09% of the revenue from business type activities.

The District's total revenues were approximately \$10.65 million of which \$10.17 million was for governmental activities and approximately \$0.48 million was for business type activities.

As shown in Figure A-4, the District as a whole experienced a 0.62% decrease in revenues and a 3.46% increase in expenses. The increases in expenses related to increases in the negotiated salary and benefits as well as increases in expenses funded by grants received by the District.

Governmental Activities

Revenues for governmental activities were \$10,175,236 and expenses were \$9,550,380.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instruction and other expenses.

Figure A-5
Total and Net Cost of Governmental Activities

	Total Cost of Services			Net Cost of Services		
	2008	2007	Change 2007-08	2008	2007	Change 2007-08
Instruction	\$ 5,845,665	5,529,740	5.71%	4,144,000	3,976,375	4.22%
Support services	2,813,292	2,673,689	5.22%	2,747,396	2,603,242	5.54%
Non-instruction	648	0	100.00%	648	0	100.00%
Other expenses	890,775	1,049,459	-15.12%	542,503	723,785	-25.05%
Totals	\$ 9,550,380	9,252,888	3.22%	7,434,547	7,303,402	1.80%

- The cost financed by users of the District's programs was \$871,055.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,244,778.
- The net cost of governmental activities was financed with \$3,064,331 in property tax, \$224,269 in income surtax, \$588,022 in local option sales and services tax, \$3,969,209 in unrestricted state grants and \$170,284 in interest income.

Business-Type Activities

Revenues of the District's business-type activities were \$479,203 and expenses were \$508,911. The District's business-type activities include the School Nutrition Fund, the Preschool Fund and School Accounts Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, the Monticello Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$3,783,013, above last year's ending fund balances of \$3,625,805. The main reason for the increase in overall fund balance can be attributed to increases in fund balance for the General Fund and the Capital Projects Fund.

Governmental Fund Highlights

- The District's improving General Fund financial position is the product of many factors. Increase in state grant revenues during the year, resulted in an increase in revenues. Revenues were enough to offset the District's increase in expenditures ensuring the increase of the District's financial position.

- The Capital Projects fund balance increased from \$860,776 to \$925,001 during the year. Revenues for the Capital Projects Fund increased by \$22,963 as compared to the previous year. The transfer to the Debt Service Fund was larger than the previous year to help pay for the District's general obligation bond indebtedness.

Proprietary Funds Highlights

The School Nutrition Fund net assets decreased from \$157,950 at June 30, 2007 to \$109,942 at June 30, 2008, representing a decrease of 30.39%.

The School Accounts Fund net assets increased from \$7,081 to \$8,844, representing an increase of 24.90%.

Fiscal 2008 was the second year of operation of the District's Preschool Fund. Fund revenues were \$49,050 in 2008 as compared to \$30,973 in 2007. Fund expenditures were \$32,513 in 2008 as compared to \$22,506 in 2007. This resulted in the fund having \$25,004 as its ending fund balance.

BUDGETARY HIGHLIGHTS

The District's revenues were \$195,136 more than budgeted revenues, a variance of 1.87%. The most significant variance resulted from the District receiving more in local source revenues than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$8,051,417, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) More detailed information about capital assets is available in Note 4 to the financial statements. Depreciation expense for the year was \$455,104.

The original cost of the District's capital assets was \$16,018,087. Governmental funds account for \$15,783,168 with the remainder of \$234,919 in the Proprietary, School Nutrition Fund.

The largest percentage change in capital asset activity during the year occurred in the machinery and equipment category. The District's machinery and equipment totaled \$444,880 at June 30, 2007 compared to \$497,585 at June 30, 2008.

Figure A-6
Capital Assets, Net of Depreciation

	Governmental Activities		Business-type Activities		Total School District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2008	2007	2008	2007	2008	2007	2007-08
Land	\$ 149,802	149,802	0	0	149,802	149,802	0.00%
Construction in progress	160,247	148,489	0	0	160,247	148,489	7.92%
Buildings	6,488,766	6,617,383	0	0	6,488,766	6,617,383	-1.94%
Land improvements	755,017	818,797	0	0	755,017	818,797	-7.79%
Machinery and equipment	413,846	345,457	83,739	99,423	497,585	444,880	11.85%
Total	\$ 7,967,678	8,079,928	83,739	99,423	8,051,417	8,179,351	-1.56%

Long-Term Debt

At June 30, 2008, the District had \$4,934,728 in general obligation and early retirement outstanding. This represents a decrease of 9.6% from last year. (See Figure A-7) More detailed information about the District's long-term liabilities is available in Note 5 to the financial statements.

The District had outstanding general obligation bonded indebtedness payable of \$4,910,000 at June 30, 2008. These bonds will continue to be paid until 2016.

The District had outstanding compensated absences payable from the General Fund of \$24,728 as of June 30, 2008.

Figure A-7
Outstanding Long-Term Obligations

	Total School District		Total Change
	June 30,		June 30,
	2008	2007	2007-08
General obligation bonds	\$ 4,910,000	5,440,000	-9.7%
Early retirement	0	21,530	-100.0%
Compensated absences	24,728	0	100.0%
Total	\$ 4,934,728	5,461,530	-9.6%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- Increases in health insurance premiums, along with salaries and benefits for the employees is always a concern for the District.
- Continued budget concerns at state level will affect future projections. The District has been forced to shift funding to property taxes.
- Low allowable growth over several years and enrollment fluctuations is negatively impacting the District's spending authority. Contractual increases and program changes cannot be made without thorough consideration of our unspent authorized budget.
- The budget guarantee (whereby Districts are guaranteed 100% of their current budget for the upcoming year) is being phased out over a ten-year period, which began in fiscal year 2005.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Connie Reyner, District Comptroller, Monticello Community School District, 711 South Maple Street, Monticello, Iowa, 52310.

BASIC FINANCIAL STATEMENTS

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and pooled investments	\$ 4,115,315	65,614	4,180,929
Receivables:			
Property tax:			
Delinquent	38,976	0	38,976
Succeeding year	3,101,237	0	3,101,237
Income surtax	194,824	0	194,824
Accounts	33,249	2,892	36,141
Due from other governments	394,606	25	394,631
Inventories	0	3,825	3,825
Capital assets, net of accumulated depreciation (Note 4)	7,967,678	83,739	8,051,417
TOTAL ASSETS	15,845,885	156,095	16,001,980
LIABILITIES			
Accounts payable	205,967	180	206,147
Interest payable	29,127	0	29,127
Salaries and benefits payable	586,760	4,842	591,602
Deferred revenue:			
Succeeding year property tax	3,101,237	0	3,101,237
Other	6,406	0	6,406
Unearned revenue	0	7,283	7,283
Long-term liabilities (Note 5):			
Portion due within one year:			
General obligation bonds	545,000	0	545,000
Compensated absences	24,728	0	24,728
Portion due after one year:			
General obligation bonds	4,365,000	0	4,365,000
TOTAL LIABILITIES	8,864,225	12,305	8,876,530
NET ASSETS			
Invested in capital assets, net of related debt	3,057,678	83,739	3,141,417
Restricted for:			
Talented and gifted	16,528	0	16,528
Beginning teacher mentoring	1,307	0	1,307
Market factor	4,846	0	4,846
Early intervention	6,951	0	6,951
Non-public textbook aid	278	0	278
Professional development	15,160	0	15,160
Market factor incentives	6,356	0	6,356
Management levy	264,760	0	264,760
Physical plant & equipment levy	337,172	0	337,172
Capital projects	925,001	0	925,001
Debt service	81,395	0	81,395
Other special revenue purposes	58,044	0	58,044
Unrestricted	2,206,184	60,051	2,266,235
TOTAL NET ASSETS	\$ 6,981,660	143,790	7,125,450

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Govern- mental Activities	Business- Type Activities	
Functions/Programs:						
Governmental activities:						
Instruction:						
Regular instruction	\$ 3,459,674	459,997	758,869	(2,240,808)	0	(2,240,808)
Special instruction	1,262,345	125,632	54,457	(1,082,256)	0	(1,082,256)
Other instruction	1,123,646	259,334	43,376	(820,936)	0	(820,936)
	5,845,665	844,963	856,702	(4,144,000)	0	(4,144,000)
Support services:						
Student services	391,006	0	0	(391,006)	0	(391,006)
Instructional staff services	308,177	0	0	(308,177)	0	(308,177)
Administration services	828,419	0	0	(828,419)	0	(828,419)
Operation and maintenance of plant services	751,896	0	0	(751,896)	0	(751,896)
Transportation services	533,794	26,092	39,804	(467,898)	0	(467,898)
	2,813,292	26,092	39,804	(2,747,396)	0	(2,747,396)
Non-instructional:						
Community service and education operations	648	0	0	(648)	0	(648)
Other expenditures:						
Facilities acquisitions	91,239	0	0	(91,239)	0	(91,239)
Long-term debt interest	190,268	0	0	(190,268)	0	(190,268)
AEA flowthrough	348,272	0	348,272	0	0	0
Depreciation(unallocated)*	260,996	0	0	(260,996)	0	(260,996)
	890,775	0	348,272	(542,503)	0	(542,503)
Total governmental activities	9,550,380	871,055	1,244,778	(7,434,547)	0	(7,434,547)
Business-Type activities:						
Support services:						
Administration services	7,000	0	0	0	(7,000)	(7,000)
Operation and maintenance of plant services	2,321	0	0	0	(2,321)	(2,321)
Non-instructional programs:						
Nutrition services	466,524	255,098	168,384	0	(43,042)	(43,042)
Total nutrition services	475,845	255,098	168,384	0	(52,363)	(52,363)
Non-instructional programs:						
Preschool	32,513	49,050	0	0	16,537	16,537
School accounts	553	2,316	0	0	1,763	1,763
Total business-type activities	508,911	306,464	168,384	0	(34,063)	(34,063)
Total	\$ 10,059,291	1,177,519	1,413,162	(7,434,547)	(34,063)	(7,468,610)
General Revenues:						
Property tax levied for:						
General purposes				\$ 2,630,157	0	2,630,157
Debt services				156,470	0	156,470
Capital outlay				277,704	0	277,704
Income surtax				224,269	0	224,269
Local option sales and service tax				588,022	0	588,022
Unrestricted state grants				3,969,209	0	3,969,209
Unrestricted investment earnings				170,284	4,355	174,639
Gain on sale of equipment				732	0	732
Other				42,556	0	42,556
Total general revenues				8,059,403	4,355	8,063,758
Change in net assets				624,856	(29,708)	595,148
Net assets beginning of year				6,356,804	173,498	6,530,302
Net assets end of year				\$ 6,981,660	143,790	7,125,450

* This amount excludes the depreciation that is included in the direct expense of various programs.

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
ASSETS				
Cash and pooled investments	\$ 2,613,828	743,988	757,499	4,115,315
Receivables:				
Property tax:				
Delinquent	33,325	0	5,651	38,976
Succeeding year	2,620,788	0	480,449	3,101,237
Income surtax	194,824	0	0	194,824
Accounts	26,377	0	6,872	33,249
Due from other governments	213,578	181,013	15	394,606
TOTAL ASSETS	\$ 5,702,720	925,001	1,250,486	7,878,207
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 177,301	0	28,666	205,967
Salaries and benefits payable	586,760	0	0	586,760
Deferred revenue:				
Succeeding year property tax	2,620,788	0	480,449	3,101,237
Income surtax	194,824	0	0	194,824
Other	6,406	0	0	6,406
Total liabilities	3,586,079	0	509,115	4,095,194
Fund balances:				
Reserved for:				
Debt service	0	0	81,395	81,395
Talented and gifted	16,528	0	0	16,528
Beginning teacher mentoring	1,307	0	0	1,307
Market factor	4,846	0	0	4,846
Early intervention	6,951	0	0	6,951
Non-public textbook aid	278	0	0	278
Professional development	15,160	0	0	15,160
Market factor incentives	6,356	0	0	6,356
Unreserved:				
General	2,065,215	0	0	2,065,215
Management levy	0	0	264,760	264,760
Physical plant and equipment levy	0	0	337,172	337,172
Capital projects	0	925,001	0	925,001
Other special revenue	0	0	58,044	58,044
Total fund balances	2,116,641	925,001	741,371	3,783,013
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,702,720	925,001	1,250,486	7,878,207

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2008

Total fund balances of governmental funds (page 16) \$ 3,783,013

*Amounts reported for governmental activities in the
statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. 7,967,678

Accrued interest payable in long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds. (29,127)

Accounts receivable income surtax, are not yet available to finance expenditures of the current fiscal period. 194,824

Long-term liabilities, including bonds payable and compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (4,934,728)

Net assets of governmental activities (page 14) \$ 6,981,660

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	General	Capital Projects	Other Nonmajor Governmental Funds	Total
REVENUES:				
Local sources:				
Local tax	\$ 2,778,881	588,022	459,178	3,826,081
Tuition	526,242	0	0	526,242
Other	214,387	41,433	347,271	603,091
Intermediate sources	8,486	0	0	8,486
State sources	4,862,994	0	329	4,863,323
Federal sources	296,740	0	0	296,740
Total revenues	8,687,730	629,455	806,778	10,123,963
EXPENDITURES:				
Current:				
Instruction:				
Regular instruction	3,498,980	0	83,247	3,582,227
Special instruction	1,262,905	0	0	1,262,905
Other instruction	829,321	0	298,566	1,127,887
	5,591,206	0	381,813	5,973,019
Support services:				
Student services	390,509	0	0	390,509
Instructional staff services	311,762	0	0	311,762
Administration services	825,989	0	38	826,027
Operation and maintenance of plant services	708,674	0	70,027	778,701
Transportation services	442,987	0	4,600	447,587
	2,679,921	0	74,665	2,754,586
Non-instructional:				
Community service operations	648	0	0	648
Other expenditures:				
Facilities acquisitions	0	0	172,991	172,991
Long-term debt:				
Principal	0	0	530,000	530,000
Interest and fiscal charges	0	0	192,823	192,823
AEA flowthrough	348,272	0	0	348,272
	348,272	0	895,814	1,244,086
Total expenditures	8,620,047	0	1,352,292	9,972,339
Excess(deficiency) of revenues over(under)expenditures	67,683	629,455	(545,514)	151,624
Other financing sources(uses):				
Transfer in	0	0	565,230	565,230
Transfer out	0	(565,230)	0	(565,230)
Sale of materials	5,584	0	0	5,584
Total other financing sources(uses)	5,584	(565,230)	565,230	5,584
Net change in fund balances	73,267	64,225	19,716	157,208
Fund balance beginning of year	2,043,374	860,776	721,655	3,625,805
Fund balance end of year	\$ 2,116,641	925,001	741,371	3,783,013

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds (page 18) \$ 157,208

*Amounts reported for governmental activities in the
 statement of activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their useful lives as depreciation expense in the Statement of Activities. Capital outlays expenditures, depreciation expense and loss on asset disposal for the current year are as follows:

Capital expenditures	\$ 329,327	
Depreciation expense	(436,725)	
Loss on asset disposal	<u>(4,852)</u>	(112,250)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Repaid	530,000
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

2,555

Income surtax account receivable is not available to finance expenditures of the current year period in the governmental funds.

50,541

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.

Compensated absences	\$ (24,728)	
Early retirement	<u>21,530</u>	<u>(3,198)</u>

Changes in net assets of governmental activities (page 15)

\$ 624,856

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2008

	School Nutrition	Pre- school	School Accounts	Total
ASSETS				
Cash and pooled investments	\$ 33,449	23,572	8,593	65,614
Due from other governments	25	0	0	25
Accounts receivable	516	2,125	251	2,892
Inventories	3,825	0	0	3,825
Capital assets, net of accumulated depreciation (Note 4)	83,739	0	0	83,739
TOTAL ASSETS	121,554	25,697	8,844	156,095
LIABILITIES				
Accounts payable	142	38	0	180
Salaries and benefits payable	4,187	655	0	4,842
Unearned revenues	7,283	0	0	7,283
TOTAL LIABILITIES	11,612	693	0	12,305
NET ASSETS				
Invested in capital assets	83,739	0	0	83,739
Unrestricted	26,203	25,004	8,844	60,051
TOTAL NET ASSETS	\$ 109,942	25,004	8,844	143,790

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Pre- school	School Accounts	Total
OPERATING REVENUE:				
Local sources:				
Charges for services	\$ 254,010	49,050	0	303,060
Miscellaneous	1,088	0	2,316	3,404
TOTAL OPERATING REVENUES	255,098	49,050	2,316	306,464
OPERATING EXPENSES:				
Support services:				
Administration services:				
Services	7,000	0	0	7,000
Operation and maintenance of plant services:				
Services	2,321	0	0	2,321
Total support services	9,321	0	0	9,321
Non-instructional programs:				
Salaries	166,937	21,880	0	188,817
Benefits	42,776	2,978	0	45,754
Services	2,202	0	0	2,202
Supplies	236,230	7,655	553	244,438
Depreciation	18,379	0	0	18,379
Total non-instructional programs	466,524	32,513	553	499,590
TOTAL OPERATING EXPENSES	475,845	32,513	553	508,911
OPERATING INCOME (LOSS)	(220,747)	16,537	1,763	(202,447)
NON-OPERATING REVENUES:				
State sources	5,008	0	0	5,008
Federal sources	163,376	0	0	163,376
Interest income	4,355	0	0	4,355
TOTAL NON-OPERATING REVENUES	172,739	0	0	172,739
Changes in net assets	(48,008)	16,537	1,763	(29,708)
Net assets beginning of year	157,950	8,467	7,081	173,498
Net assets end of year	\$ 109,942	25,004	8,844	143,790

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2008

	School Nutrition	Pre- school	School Accounts	Total
Cash flows from operating activities:				
Cash received from sale of lunches and breakfasts	\$ 254,489	0	0	254,489
Cash received from miscellaneous operating activities	1,088	46,925	2,065	50,078
Cash payments to employees for services	(210,143)	(24,515)	0	(234,658)
Cash payments to suppliers for goods or services	(236,588)	(8,625)	(553)	(245,766)
Net cash provided by(used in) operating activities	(191,154)	13,785	1,512	(175,857)
Cash flows from non-capital financing activities:				
State grants received	5,008	0	0	5,008
Federal grants received	148,742	0	0	148,742
Net cash provided by non-capital financing activities	153,750	0	0	153,750
Cash flows from capital and related financing activities:				
Purchase of capital assets	(2,695)	0	0	(2,695)
Cash flows from investing activities:				
Interest on investments	4,355	0	0	4,355
Net increase(decrease) in cash and cash equivalents	(35,744)	13,785	1,512	(20,447)
Cash and cash equivalents at beginning of year	69,193	9,787	7,081	86,061
Cash and cash equivalents at end of year	\$ 33,449	23,572	8,593	65,614
Reconciliation of operating income(loss) to net cash provided by(used in) operating activities:				
Operating income(loss)	\$ (220,747)	16,537	1,763	(202,447)
Adjustments to reconcile operating income(loss) to net cash provided by(used in) operating activities:				
Commodities consumed	14,609	0	0	14,609
Depreciation	18,379	0	0	18,379
Decrease in inventories	2,418	0	0	2,418
Increase in accounts receivable	(99)	(2,125)	(251)	(2,475)
Decrease in accounts payable	(5,862)	(970)	0	(6,832)
Increase(Decrease) in salaries and benefits payable	(430)	343	0	(87)
Increase in unearned revenue	578	0	0	578
Net cash provided by(used in) operating activities	\$ (191,154)	13,785	1,512	(175,857)
RECONCILIATION OF CASH AND CASH EQUIVALENTS AT YEAR END TO SPECIFIC ASSETS INCLUDED ON COMBINED BALANCE SHEET:				
Current assets:				
Cash and pooled investments	\$ 33,449	23,572	8,593	65,614

NON-CASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:

During the year ended June 30, 2008, the District received Federal commodities valued at \$14,609.

SEE NOTES TO FINANCIAL STATEMENTS.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
JUNE 30, 2008

	<u>Private Purpose Trust Scholarship Fund</u>	<u>Agency</u>
ASSETS		
Cash and pooled investments	<u>\$ 16,758</u>	<u> 5,011</u>
LIABILITIES		
Due to other groups	<u> 0</u>	<u> 5,011</u>
NET ASSETS		
Reserved for scholarships	<u>\$ 16,758</u>	<u> 0</u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2008

	<u>Private Purpose Trust</u>	<u>Scholarship Fund</u>
Additions:		
Local sources:		
Interest	\$ 5,206	
Contributions	<u>1,001</u>	
Total additions		<u>6,207</u>
Deductions:		
Instruction:		
Regular instruction:		
Scholarships awarded		<u>3,950</u>
Change in net assets		2,257
Net assets beginning of year		<u>14,501</u>
Net assets end of year	\$	<u><u>16,758</u></u>

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

(1) **Summary of Significant Accounting Policies**

The Monticello Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Monticello, Iowa, and the predominately agricultural territory in Linn, Jones, Delaware and Dubuque Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Monticello Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the District. The Monticello Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Linn, Jones, Delaware and Dubuque County Assessors' Conference Board.

B. Basis of Presentation

Government-wide financial statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net assets use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net asset consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the Government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those that are financed through enterprise funds.

The District reports the following proprietary funds:

The District's proprietary funds are the School Nutrition Fund, Preschool Fund and School Accounts Fund. The School Nutrition Fund is used to account for the food service operations of the District. The Preschool Fund is used to account for the child care and preschool services provided by the District. The School Accounts Fund is used to account for District miscellaneous proprietary accounts.

The District also reports a fiduciary fund which focus on net assets and changes in net assets. The District's fiduciary fund is as follows:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Balances

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in the governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year.

Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the Government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, machinery, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide statement of net assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 500
Buildings	500
Land improvements	500
Machinery and equipment:	
School Nutrition Fund equipment	500
Other machinery and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Land improvements	20 years
Machinery and equipment	5-12 years

Salaries and benefits payable - Payroll and related expenditures for annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue on the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death, or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the statement of net assets.

Fund Balances - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the Government-wide statement of net assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) **Cash and Pooled Investments**

The District's deposits at June 30, 2008 were entirely covered by federal depository insurance or State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had investments in the Iowa Schools Joint Investment Trust as follows:

	Amortized Cost
Diversified portfolio	\$ 598

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were both rated Aaa by Moody's Investors Service.

(3) **Transfers**

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

Transfer to	Transfer from	Amount
Debt Service	Capital Projects	\$ 565,230

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Business-type activities:				
Machinery and equipment	\$ 232,224	2,695	0	234,919
Less accumulated depreciation	132,801	18,379	0	151,180
Business-type activities capital assets, net	\$ 99,423	(15,684)	0	83,739

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 149,802	0	0	149,802
Construction in progress	148,489	11,758	0	160,247
Total capital assets not being depreciated	298,291	11,758	0	310,049
Capital assets being depreciated:				
Buildings	9,497,485	51,875	0	9,549,360
Land improvements	2,153,263	18,119	1,468	2,169,914
Machinery and equipment	3,567,907	247,575	61,637	3,753,845
Total capital assets being depreciated	15,218,655	317,569	63,105	15,473,119
Less accumulated depreciation for:				
Buildings	2,880,102	180,492	0	3,060,594
Land improvements	1,334,466	80,504	73	1,414,897
Machinery and equipment	3,222,450	175,729	58,180	3,339,999
Total accumulated depreciation	7,437,018	436,725	58,253	7,815,490
Total capital assets being depreciated, net	7,781,637	(119,156)	4,852	7,657,629
Governmental activities capital assets, net	\$ 8,079,928	(107,398)	4,852	7,967,678

Depreciation expense was charged by the District as follows:

Governmental activities:	
Instruction:	
Regular	\$ 58,515
Special	140
Other	8,597
Support services:	
Student services	497
Instructional staff services	12,905
Administration services	3,179
Operation and maintenance of plant services	9,692
Transportation	82,204
	175,729
Unallocated depreciation	260,996
Total governmental activities depreciation expense	\$ 436,725
Business-type activities:	
Food services	\$ 18,379

(5) Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2008 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 5,440,000	0	530,000	4,910,000	545,000
Early retirement	21,530	0	21,530	0	0
Compensated absences	0	24,728	0	24,728	24,728
Total	\$ 5,461,530	24,728	551,530	4,934,728	569,728

Early Retirement

The District did not offer an early retirement plan to employees during the fiscal 2008 year. Payouts for early retirement during fiscal 2008 were for the plan the District offered to its employees during the fiscal 2007 year. Requirements of that plan are explained in the following paragraph.

Eligible employees had to be at least age fifty-five and must have completed ten years of continuous service to the District. Employees completed an application which was subjected to approval by the Board of Education. The early retirement incentive for each eligible employee was the amount of unused sick leave time the employee's per diem contract rate for teaching only. The maximum benefit for full-time staff was \$15,000. Early retirement benefits paid during the year ended June 30, 2008, totaled \$21,530.

General Obligation Bonds Payable

Details of the District's June 30, 2008 General Obligation bond indebtedness is as follows:

Year Ending June 30,	Interest Rate	Bond issue November 1, 2005		
		Principal	Interest	Total
2009	3.200	% \$ 545,000	174,743	719,743
2010	3.300	565,000	157,303	722,303
2011	3.450	580,000	138,658	718,658
2012	3.550	600,000	118,648	718,648
2013	3.600	620,000	97,348	717,348
2014	3.700	640,000	75,028	715,028
2015	3.750	665,000	51,348	716,348
2016	3.800	695,000	26,410	721,410
Total		\$ 4,910,000	839,486	5,749,486

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll. Contribution requirements are established by State statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007, and 2006 were \$321,138, \$258,105, and \$286,332, respectively, equal to the required contributions for each year.

(7) Risk Management

The District is a member in the Iowa School Employees Benefits Association (ISEBA), an Iowa Code Chapter 28E organization. ISEBA is a local government risk-sharing pool whose members include various schools throughout the State of Iowa. The Association

was formed July 1999 for the purpose of managing and funding employee benefits. The Association provides coverage and protection in the following categories: health and long-term disability. District contributions to ISEBA for the year ended June 30, 2008 were \$912,850.

The District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$348,272 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Construction Commitment

The District and the District's athletic foundation are working together to construct an athletic complex on District grounds. As of June 30, 2008, the District had incurred costs of \$160,247 in construction costs for the athletic complex. As of June 30, 2008, the amount of incurred costs for the athletic foundation for construction of the athletic complex is not known. Once construction is completed the foundation is donating the athletic complex to the District and the total cost of the project will be added to the District's fixed asset listing.

REQUIRED SUPPLEMENTARY INFORMATION

MONTICELLO COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON OF REVENUES, EXPENDITURES AND
CHANGES IN BALANCES -
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2008

	Governmental Fund Types Actual	Proprietary Fund Type Actual	Total Actual	Budgeted Amounts		Final to Actual Variance
				Original	Final	
Revenues:						
Local sources	\$ 4,955,414	310,819	5,266,233	5,077,698	5,077,698	188,535
Intermediate sources	8,486	0	8,486	0	0	8,486
State sources	4,863,323	5,008	4,868,331	4,865,332	4,865,332	2,999
Federal sources	296,740	163,376	460,116	465,000	465,000	(4,884)
Total revenues	10,123,963	479,203	10,603,166	10,408,030	10,408,030	195,136
Expenditures:						
Instruction	5,973,019	0	5,973,019	6,612,000	6,612,000	638,981
Support services	2,754,586	9,321	2,763,907	3,524,000	3,524,000	760,093
Non-instructional programs	648	499,590	500,238	510,000	510,000	9,762
Other expenditures	1,244,086	0	1,244,086	1,359,525	1,359,525	115,439
Total expenditures	9,972,339	508,911	10,481,250	12,005,525	12,005,525	1,524,275
Excess(deficiency) of revenues over(under) expenditures	151,624	(29,708)	121,916	(1,597,495)	(1,597,495)	1,719,411
Other financing sources, net	5,584	0	5,584	4,000	4,000	1,584
Excess(deficiency) of revenues and other financing sources over(under) expenditures	157,208	(29,708)	127,500	(1,593,495)	(1,593,495)	1,720,995
Balance beginning of year	3,625,805	173,498	3,799,303	3,345,056	3,345,056	454,247
Balance end of year	\$ 3,783,013	143,790	3,926,803	1,751,561	1,751,561	2,175,242

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - BUDGETARY REPORTING
YEAR ENDED JUNE 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private-Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

OTHER SUPPLEMENTARY INFORMATION

MONTICELLO COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2008

	Special Revenue Funds					Total
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	Other Nonmajor Governmental Funds
ASSETS						
Cash and pooled investments	\$ 264,477	69,406	344,149	678,032	79,467	757,499
Receivables:						
Property tax:						
Current year delinquent	320	0	3,408	3,728	1,923	5,651
Succeeding year	92,000	0	282,391	374,391	106,058	480,449
Accounts	0	6,872	0	6,872	0	6,872
Due from other governments	1	0	9	10	5	15
TOTAL ASSETS	\$ 356,798	76,278	629,957	1,056,151	187,453	1,250,486
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 38	18,234	10,394	28,666	0	28,666
Deferred revenue:						
Succeeding year property tax	92,000	0	282,391	374,391	106,058	480,449
Total liabilities	92,038	18,234	292,785	403,057	106,058	509,115
Unreserved fund balances	264,760	58,044	337,172	659,976	81,395	741,371
TOTAL LIABILITIES AND FUND BALANCES	\$ 356,798	76,278	629,957	1,063,033	187,453	1,250,486

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2008

	Special Revenue Funds					Total Other Nonmajor Governmental Funds
	Manage- ment Levy	Student Activity	Physical Plant and Equipment Levy	Total	Debt Service	
REVENUES:						
Local sources:						
Local tax	\$ 25,004	0	277,704	302,708	156,470	459,178
Other	26,988	308,009	12,122	347,119	152	347,271
State sources	17	0	199	216	113	329
TOTAL REVENUES	52,009	308,009	290,025	650,043	156,735	806,778
EXPENDITURES:						
Current:						
Instruction:						
Regular instruction	83,247	0	0	83,247	0	83,247
Other instruction	0	298,566	0	298,566	0	298,566
Support services:						
Administration services	38	0	0	38	0	38
Operation and maintenance of plant services	69,842	0	185	70,027	0	70,027
Transportation services	0	0	4,600	4,600	0	4,600
Other expenditures:						
Facility acquisitions	0	0	172,991	172,991	0	172,991
Long-term debt:						
Principal	0	0	0	0	530,000	530,000
Interest and fiscal charges	0	0	0	0	192,823	192,823
TOTAL EXPENDITURES	153,127	298,566	177,776	629,469	722,823	1,352,292
Excess(deficiency) of revenues over (under) expenditures	(101,118)	9,443	112,249	20,574	(566,088)	(545,514)
Other financing sources:						
Transfers in	0	0	0	0	565,230	565,230
Net change in fund balances	(101,118)	9,443	112,249	20,574	(858)	19,716
Fund balance beginning of year	365,878	48,601	224,923	639,402	82,253	721,655
Fund balance end of year	\$ 264,760	58,044	337,172	659,976	81,395	741,371

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Interest	\$ 3,077	0	0	3,077
Elementary-all	10,897	15,440	16,819	9,518
Vocal-Carpenter	2,173	1,053	1,744	1,482
JH instrumental	508	906	611	803
Student organization	7,174	10,780	12,213	5,741
HS vocal	5,686	4,003	6,802	2,887
HS instrumental	780	3,614	3,708	686
HS student organization	10,047	16,931	11,896	15,082
HS co-ed athletics	50,292	84,241	93,386	41,147
Cross country	(1,934)	0	6,431	(8,365)
Boys basketball-JH	(7,976)	3,441	0	(4,535)
Football-JH	(14,424)	867	0	(13,557)
Baseball-JH	(6,890)	0	708	(7,598)
Boys track-JH	(3,947)	1,197	0	(2,750)
Soccer-JH	(5,221)	1,226	0	(3,995)
Boys golf-JH	(2,272)	0	1,010	(3,282)
Wrestling-JH	(6,761)	0	2,515	(9,276)
Girls basketball-JH	(20,837)	17,706	0	(3,131)
Volleyball-JH	(4,879)	0	2,145	(7,024)
Softball-JH	(5,679)	0	2,773	(8,452)
Softball concessions	(1,205)	0	135	(1,340)
Girls track	(3,923)	0	1,727	(5,650)
Girls golf	(1,142)	712	0	(430)
Cheerleader	(679)	4,968	3,605	684
Dance team	2,511	6,394	5,858	3,047
Speech and drama	6,769	12,853	14,226	5,396
HS music	5,580	369	458	5,491
Boys basketball-HS	(33)	2,042	1,491	518
Football-HS	265	3,736	2,705	1,296
Baseball-HS	360	16	32	344
Wrestling-HS	0	1,756	780	976
Girls basketball-HS	(440)	6,323	5,113	770
Volleyball-HS	2,750	1,175	779	3,146
Softball-HS	0	2,966	567	2,399
Girls golf-HS	(1)	74	20	53
Student council-HS	1,367	3,761	2,528	2,600
Yearbook-HS	(9,527)	11,422	10,790	(8,895)

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
 YEAR ENDED JUNE 30, 2008

Account	Balance Beginning of Year	Revenues	Expendi- tures	Balance End of Year
Montisports.org	41	0	0	41
Sixth grade	2,508	1,182	753	2,937
Seventh grade	0	10,940	8,630	2,310
8th grade	2,529	7,235	7,742	2,022
Freshman	1,860	87	0	1,947
Sophomore	2,890	135	0	3,025
Junior	2,870	8,984	7,796	4,058
Senior	2,361	1,973	0	4,334
Graduating seniors	2,345	0	2,345	0
FFA	13,069	32,562	34,230	11,401
BPA	1,413	18,848	19,115	1,146
Coffee club	2,439	1,145	648	2,936
International club	1,810	4,946	3,732	3,024
Total	\$ 48,601	308,009	298,566	58,044

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund				
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	Total
ASSETS					
Cash and pooled investments	\$ 2,614	501	1,126	12,517	16,758
LIABILITIES					
	0	0	0	0	0
NET ASSETS					
Reserved for scholarships	\$ 2,614	501	1,126	12,517	16,758

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 PRIVATE PURPOSE TRUST - SCHOLARSHIP FUNDS
 YEAR ENDED JUNE 30, 2008

	Private Purpose Trust - Scholarship Fund				
	Burrichter Scholarship	Farm Scholarship	Zubler Scholarship	MFC Scholarship	Total
ADDITIONS:					
Local sources:					
Interest	\$ 103	0	0	5,103	5,206
Contributions	0	501	500	0	1,001
	103	501	500	5,103	6,207
DEDUCTIONS:					
Instruction:					
Regular instruction:					
Scholarships awarded	0	500	500	2,950	3,950
Changes in net assets	103	1	0	2,153	2,257
Net assets beginning of year	2,511	500	1,126	10,364	14,501
Net assets end of year	\$ 2,614	501	1,126	12,517	16,758

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 YEAR ENDED JUNE 30, 2008

	Balance			Balance
	Beginning			End
	of Year	Additions	Deletions	of Year
ASSETS				
Cash and pooled investments	\$ 3,676	3,244	1,909	5,011
LIABILITIES				
Due to other groups	\$ 3,676	3,244	1,909	5,011

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

MONTICELLO COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUND TYPES
 FOR THE LAST FIVE YEARS

	Modified Accrual Basis				
	Years Ended June 30,				
	2008	2007	2006	2005	2004
Revenues:					
Local sources:					
Local tax	\$ 3,826,081	4,174,905	4,310,031	4,372,964	4,134,270
Tuition	526,242	481,671	586,557	448,168	421,871
Other	603,091	821,359	653,247	515,437	453,113
Intermediate sources	8,486	5,000	0	9,564	11,500
State sources	4,863,323	4,492,351	4,257,420	3,916,593	3,871,736
Federal sources	296,740	265,660	384,005	258,632	466,285
Total	\$ 10,123,963	10,240,946	10,191,260	9,521,358	9,358,775
Expenditures:					
Instruction:					
Regular instruction	\$ 3,582,227	3,217,177	3,209,124	2,928,810	2,987,594
Special instruction	1,262,905	1,176,672	1,204,034	1,090,021	1,019,440
Other instruction	1,127,887	1,172,626	895,569	888,058	755,989
Support services:					
Student services	390,509	361,174	309,830	322,402	452,813
Instructional staff services	311,762	174,757	332,202	240,294	250,711
Administration services	826,027	942,843	754,436	797,328	897,437
Operation and maintenance of plant services	778,701	741,601	830,135	777,994	590,786
Transportation services	447,587	460,909	425,707	488,085	319,138
Non-instructional:					
Community service operations	648	0	0	0	0
Other expenditures:					
Facilities acquisitions	172,991	71,302	228,514	405,016	512,119
Long Term Debt:					
Principal	530,000	465,000	499,470	410,000	390,000
Interest	192,823	496,835	449,128	345,874	367,645
AEA flow-through	348,272	325,674	303,507	294,542	299,347
Total	\$ 9,972,339	9,606,570	9,441,656	8,988,424	8,843,019

SEE ACCOMPANYING INDEPENDENT AUDITOR'S REPORT.

NOLTE, CORNMAN & JOHNSON P.C.
Certified Public Accountants
(a professional corporation)
117 West 3rd Street North, Newton, Iowa 50208-3050
Telephone (641) 792-1910

Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards

To the Board of Education of the
Monticello Community School District:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Monticello Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 30, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Monticello Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Monticello Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Monticello Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and other deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Monticello Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Monticello Community School District's financial statements that is more than inconsequential will not be prevented or detected by Monticello Community School District's internal control. We consider the deficiencies in internal control described in Part I of the Findings Related to the Basic Financial Statements to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Monticello Community School District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item I-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Monticello Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Monticello Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the District's responses, we did not audit Monticello Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Monticello Community School District and other parties to whom Monticello Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Monticello Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Nolte, Cornman & Johnson PC
NOLTE, CORNMAN & JOHNSON, P.C.

March 30, 2009

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
YEAR ENDED JUNE 30, 2008

Part I: Findings Related to the Basic Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCIES:

I-A-08 Segregation of Duties - One important aspect of the internal control structure is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted that the cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal were all done by the same person.

Recommendation - We realize that with a limited number of office employees, segregation of duties is difficult. However the District should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will investigate available alternatives.

Conclusion - Response accepted.

I-B-08 Commodity Pricing - We noted during our audit of the Enterprise, School Nutrition Fund that the District did not price the commodity inventory according to Department of Education guidelines.

Recommendation - The District should review procedures in place for calculation of commodity inventory prices. The State of Iowa provides a price guide listing of values to be used in the calculation. The District needs to use the correct price values in calculating the inventory value at year end.

Response - The Food Service director has been advised of the proper way to calculate inventory values at year end according to Department of Education guidelines.

Conclusion - Response accepted.

I-C-08 Board Policies - We noted during our audit the District's board policy book appears to have not been kept up to date. All board policies should be reviewed every five years and documented when approved and reviewed.

Recommendation - The District should review the board policy book and update all policies that have not been updated within the past five years. The District should take steps to review board policies in a more timely manner.

Response - We are in the process of updating the board policies.

Conclusion - Response accepted.

I-D-08 Sponsor Procedures - We noted during our audit that sponsors are not turning in collected receipts to the administration office for deposit in a timely manner. The breakdown of control procedures for the receipting process becomes apparent as the sponsor maintains the collected revenue. The maintenance of the undeposited funds by the sponsor provides

a risk of loss due to possible theft, improper use, as well as lack of reporting of the funds. We also noted that when collected receipts are finally turned in by sponsors, the sponsors are not turning in supporting documentation of where the collected receipts came from.

Recommendation - The possible impropriety of revenues and expenditures is undeterminable without records to document the transactions of posting of receipts and expenditures. The District should take necessary steps to require all individuals to turn in collected money timely along with supporting documentation.

The District's internal control could be improved by issuing receipts to sponsors when funds are turned in and counted. Any discrepancies can be investigated and resolved at that time.

Response - The District will review procedures with the Athletic Director and sponsors so that cash collections are turned into the central office daily.

Conclusion - Response accepted.

I-E-08 Timely Deposits - We noted during our audit that deposits made from the high school were prepared but may not be taken to the bank for deposit until several days later.

Recommendation - All receipts should be deposited when received. The District should review policies and procedures and make necessary changes to ensure that deposits are made in a timely manner.

Response - The District will review procedures with employees at the high school and have the building principal implement changes at the high school.

Conclusion - Response accepted.

MONTICELLO COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Part II: Other Findings Related to Required Statutory Reporting:

II-A-08 Certified Budget - District disbursements for the year ended June 30, 2008, did not exceed the amount budgeted.

II-B-08 Questionable Disbursements - We noted during our audit that the District wrote checks that were subsequently cashed to purchase Monticello Chamber Bucks to give to sponsors/teachers as gifts for the District's annual golf outing fundraiser. We also noted that for the eighth grade magazine fundraiser the District reimbursed QSP for the incentive prizes that were given to students for being top sellers for the fundraiser.

Monticello Chamber Bucks given to sponsors/teachers as well as reimbursing QSP for incentive prizes do not appear to meet public purpose as defined in the Attorney General's opinion dated April 25, 1979.

Recommendation - The District should review the procedures in place, and make necessary adjustments to comply.

Response - The District will review procedures with employees and make adjustments to comply with the auditor recommendation.

Conclusion - Response accepted.

II-C-08 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

However, we noted during our audit that reimbursements to employees for travel expenses had no detailed receipts attached for supporting documentation. According to District policy, employees that seek reimbursement of expenses must attach a detailed receipt to the claim form otherwise the expense becomes the employees' expense.

Recommendation - The District should review procedures in place to ensure that receipts for all reimbursable expenses are attached for supporting documentation.

Response - The District will request that employees that seek reimbursement will turn in itemized receipts for documentation purposes.

Conclusion - Response accepted.

II-D-08 Business Transactions - Business transactions between the District and District officials are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Nick Sauser, Bus Driver Owns Nick's Service Center	Repairs	\$375
Joe Koob, Bus Driver, Son owns Koob Automotive	Vehicle	\$115

Jenny Lambert, Teacher Spouse owns Lambert's Carpet	Carpet	\$7,100
Kathy Harms, Teacher Spouse owns Subway	Food	\$427
Daniel Sauser, Teacher Father-in-law owns Welter Storage	Supplies	\$358
Janeece Lasley, Teacher Brother owns Communications Solutions	Supplies	\$695
Janeece Lasley, Teacher Spouse owns Net Tech Consulting	Supplies	\$99
Connie Reyner, Business Manager Brother-in-law owns Darrell's	Supplies	\$1,896
Callie Ehrisman, Teacher Mother owns Brier Rose	Supplies	\$273
Callie Ehrisman, Teacher Father owns Kromminga Motors	Services	\$32,666
Steve Holmes, Coach Father owns Holmes Transmission	Purchase service	\$1,228
Dianna McNeill, Associate Father-in-law owns McNeill Hardware	Supplies	\$358
Teri Keleher, Nurse Spouse owns Keleher Jewelry	Supplies	\$90

In accordance with the Attorney General's opinion dated July 2, 1990, the above transactions with the employee that owns his own business does not appear to represent a conflict of interest.

In accordance with the Attorney General's opinion dated November 9, 1976, the above transactions with the son, mother, brother, spouses, father-in-law, and brother-in-law of the District's employees do not appear to represent a conflict of interest.

- II-E-08 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-08 Board Minutes - We noted no transactions requiring Board approval which have not been approved by the Board.
- II-G-08 Certified Enrollment - We noted a variance in the basic enrollment data certified to the Department of Education. The number of students reported as line 1 resident students was understated by 4.6 students. The number of students reported as line 3 tuitioned out students was overstated by 2.0 students.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact the Iowa Department of Education and the Department of Management .

Conclusion - Response accepted.

II-H-08 Deposits and Investments - We noted no instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy.

II-I-08 Certified Annual Report - The Certified Annual Report was filed with the Department of Education timely and we noted no significant deficiencies in the amounts reported.

II-J-08 Financial Condition - We noted during our audit that the District had negative account balances in the Student Activity Fund totaling \$88,280.

Recommendation - The District should review purchase approval procedures for the Student Activity Fund and may wish to require additional approval before ordering goods or services from these accounts. The District should investigate alternatives to eliminate these deficit balances.

Response - Sponsors are monitoring the balances in their accounts regularly and are exploring ways to eliminate the deficits.

Conclusion - Response accepted.